

# fy02

United States Army Annual Financial Statement



Transforming the Army: Imagination • Innovation • Initiative

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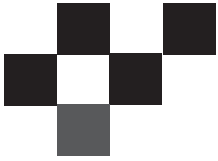
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Transforming the Army:  
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## Secretary of the Army

There are moments in history when events suddenly allow us to see the challenges ahead with a degree of clarity previously unimaginable. September 11, 2001, created one of those rare opportunities. Now we see clearly the challenges facing us — and we are confronting them.

To succeed, the Army must accomplish three critical tasks. First, we must help win the global war on terrorism; second, we must transform to meet the challenges of future conflicts; and third, we must secure the resources needed to pursue both the war on terror and Army Transformation. We must accomplish these three tasks while sustaining the readiness of the force and caring for soldiers and their families.

The means for achieving these goals begins with the Army's biggest asset — our people. The Army is about people. At 227 years of age, the Army is an enterprise of 1.2 million individuals, including active and reserve components, civilians and contractors, serving in 180 different countries — the largest single enterprise on the face of the earth.



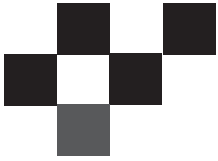
The war on terrorism underscored the importance of having well-trained soldiers ready to defend America's interests anywhere in the world. Our soldiers fought valiantly, in concert with American marines, sailors, airmen and indigenous Afghan forces, to defeat the Taliban, disrupt al Qaeda, liberate the Afghan people and install an interim government in Kabul. All of this was accomplished within a few short months, in the world's toughest terrain and in the dead of winter. In addition, our soldiers were in Bosnia, Kosovo and the Sinai, keeping the peace, and within our own borders, guarding airports, seaports and other potential targets.

Concurrent with the war on terrorism, we continued to transform the Army into a more agile fighting force. We tested many of the concepts of the Objective Force in concert with the Interim Force. Stryker Brigade Combat Teams participated in the joint exercise, Millennium Challenge 2002, demonstrating their capability to fight along side our joint partners, using new technologies and concepts.

Finally, obtaining the required resources and applying them prudently are pivotal to winning the war on terrorism and transforming the Army. We are working hard with the Department of Defense, within the context of the Financial Management Modernization Program and the Business Initiatives Council, to put systems and processes in place that will enable more relevant and reliable financial information and, thereby, facilitate better management. Receiving an unqualified audit opinion on our financial statements remains a priority and we continue to work toward that important goal.

I welcome your interest in the Army and its programs. In these challenging and uncertain times, the American people can be assured that the United States Army is ready to protect and defend the Constitution and our national freedoms. Our continuing stewardship of the resources that you provide will ensure that as we transform the Army into a more agile and responsive force, we are ready to meet the challenges of the 21st century.

**Thomas E. White**  
Secretary of the Army



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## Assistant Secretary of the Army (Financial Management and Comptroller)

One of the most important jobs we have in the financial management community is securing the resources needed for both the war on terror and Army Transformation. In addition to supporting the Army's obligation of fighting and winning the nation's wars, the mission of the Office of the Assistant Secretary of the Army for Financial Management and Comptroller is twofold: we owe our soldiers the best training and the best equipment and we owe the American people accountability.

Our job of securing adequate Army resources involves three essentials: (1) planning, programming and budgeting, (2) execution, and (3) financial reporting. Each of these three elements is critical in achieving our mission of accountability. Each requires the work of many, at all levels.



Given that our Army funds come from the hard-earned dollars of the American people, it is essential that we make the right decisions about how best to use those dollars. That is where our planning, programming and budgeting work comes in and culminates as a portion of the President's budget submission and, ultimately, the annual defense appropriation. Finding the right funding balance is a daunting challenge and it requires the dedicated efforts of the Army, the Department of Defense, the Office of Management and Budget, the President and, finally, the Congressional authorizers and appropriators. Our collaborative role in resourcing our country's Army has never been more mission critical.

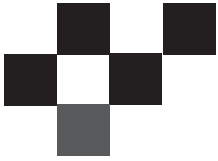
In addition to optimizing and safeguarding the Army's resources, we owe our leaders reliable and timely financial information so that they can make informed business decisions. Providing this information is central to our mission. Receiving an unqualified audit opinion on our financial statements certifies the reliability of our financial information and, hence, remains an Army priority. Over the past year, we have made major strides in achieving this goal. For example, this year's accomplishments include: completion of milestone 3 of our Single Stock Fund implementation; Army-wide deployment of the Defense Property Accountability System; exceeding our goals for improving our accounting processes, including reducing problem disbursements, negative unliquidated obligations and outstanding travel advances and liquidating obligations in appropriations in advance of their cancellation; partnering on and advancing the development of a CFO compliant enterprise resource plan for our Logistics Modernization Program; and, positioning the Army National Guard to move simultaneously with the rest of the Army to the Department of Defense Financial Management Modernization Program's approved architecture.

Looking ahead to Fiscal Year 2003, we expect to improve the quality of the information we provide our leaders and stakeholders. Our intent is to integrate functional and financial systems more effectively in support of Army Transformation. As the rest of the Army transforms to be more lethal and more agile, we in the financial management community also must transform to become more agile and more responsive.

We are pleased to present this Fiscal Year 2002 report, the deliverable of the third critical element outlined above. It includes all three funds managed by the Army: the General Fund, the Army Working Capital Fund and the Civil Works Fund. The compact disc accompanying this report provides additional information and links to key Army web sites. We believe you will find this report useful in understanding our country's Army, its mission, and its people.

A handwritten signature in black ink that reads "Sandra L. Pack".

**Sandra L. Pack**  
Assistant Secretary of the Army  
(Financial Management and Comptroller)



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## Assistant Secretary of the Army (Civil Works)

The Army has been involved in civil works and water resources since 1824, when the General Survey Act authorized the President to employ the Corps of Engineers to conduct a survey of nationally important roads and canals from a commercial, military, or mail transportation point of view. Since then, the Corps has been a dedicated servant of the American people.

In addition to its water resources mission, the Corps has supported our military forces in time of war, dating back to construction of fortifications at Bunker Hill in 1775. The Corps provided technical expertise for the Manhattan Project, and oversaw the building of the Panama Canal and the Kennedy Space Center. When a disaster strikes, Corps personnel in red jackets are there to help. Research work by the Corps resulted in building designs that saved lives in the Pentagon on September 11th. Today, 35,000 Corps employees work around the world to help improve the quality of life for people at home and abroad.



The people of America increasingly understand that our nation's water resources are finite. The debate over its use classically centers on development of water resources for social and economic benefit vs. restoration of these resources to their natural state. As science and engineering evolve, we can enhance our opportunity to find more balance between these options and make the right choices for the nation.

In terms of our nation's priorities, the war on terrorism is our main focus. We must prioritize our resources to win this war. We must also ensure that we are looking out for our nation's long-term future and ensure that our country's economy remains strong and its natural resources are protected. The Corps is continually transforming itself to better serve the ever-changing needs of the nation in a way that strikes the right balance on its critical priorities.

The Corps professionals' body of knowledge on water resources is unparalleled, and we must exploit that knowledge and associated skills to ensure that the Federal Government can continue to meet the needs of its citizens. I believe we have an opportunity to shape the nation's future and will continue to work on these important issues to achieve a national water policy that serves the best interest of all our citizens.

A handwritten signature in black ink that reads "R. L. Brownlee".

**R. L. Brownlee**

Acting Assistant Secretary of the Army  
(Civil Works)